

Message Text

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21

ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

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R 052220Z MAR 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 4187

INFO AMEMBASSY CARACAS

C O N F I D E N T I A L L I M A 1848

E.O. 11652: GDS

TAGS: ENRG, EINV, PE, VE

SUBJECT: PERUVIAN-VENEZUELAN OIL AND BAYOVER DEAL:

FURTHER STATUS REPORT

REFS: LIMA 1542, 1308, AND 1169; CARACAS 1884

1. PERUVIAN VICE MINISTER OF ENERGY AND MINES ANTONIO TORD HAS INFORMED EMBASSY OFFICERS THAT NO FINAL DECISION HAS BEEN REACHED BY THE GOP ON WHETHER TO ACCEPT GOV LOAN. TORD EXPLAINED THAT AT PRESENT PERU IS RECEIVING 20,000 B/D EACH FROM VENEZUELA AND ECUADOR AT CURRENT INTERNATIONAL PRICES. THE GOV HAS OFFERED TO SELL THE GOP ITS 20,000 B/D ON TERMS PREVIOUSLY MENTIONED, I.E., 50 PERCENT DOWN AND 50 PERCENT THROUGH A FINANCING AGREEMENT WITH VENEZUELA. ALL IDEA OF A PAY BACK IN OIL HAS BEEN DROPPED. HOWEVER, GOP IS HESITATING SINCE IT IS ALSO CONSIDERING A SIMILAR OFFER FROM A LARGE (UNNAMED) U.S. OIL COMPANY.

2. TORD NOTED THAT WHEN AN AGREEMENT IS FINALLY REACHED,
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PERHAPS PRIOR TO THE END OF MARCH, PERU WOULD PROBABLY

DROP THE TWO-DAY DRIVING RESTRICTIONS IMPOSED EARLY LAST YEAR TO SAVE PETROLEUM. SIMILARLY, THE GOP MIGHT WELL DECIDE TO REDUCE THE PRESENT GASOLINE SUBSIDIES WHICH ARE A SERIOUS AND HIGHLY UNECONOMIC DRAIN ON THE GOVERNMENT BUDGET.

3. REGARDING BAYOVAR, TORD SAID THAT GOV INTEREST IN INVESTING IN THE PHOSPHATE DEPOSIT IS IN NO WAY TIED TO THE PETROLEUM LOAN AND THAT THE GOP HAS CATEGORICALLY REJECTED THE GOV REQUEST FOR THE FORMATION OF A MIXED ENTERPRISE WICH "WOULD RUN CONTRARY TO OUR POLICY OF MAINTAINING CONTROL OVER OUR NATURAL RESOURCES". HE DID SAY, HOWEVER, THAT PERU REMAINS INTERESTED IN OBTAINING POSSIBLE FINANCING FROM THE GOV FOR THE BAYOVAR PROJECT.

4. COMMENT: TORD'S VIEWS, WHICH WE BELIEVE ACCURATELY REFLECT THE CURRENT STATE OF PLAY, RUN COUNTER TO THE INFORMATION RECEIVED FROM THE VENEZUELAN COMMERCIAL COUNSELOR REPORTED IN LIMA REFTELS. WE PRESUME THAT THE LATTER MAY NOT HAVE BEEN DIRECTLY INVOLVED IN THE BILATERAL DISCUSSIONS AND THEREFORE OFFHANDEDLY TIED THE OIL AND BAYOVAR SCHEMES TOGETHER, AS WELL THEY MIGHT BE FROM CARACAS' VIEWPOINT.
DEAN

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